

**REPORT OF THE AUDIT OF THE
METCALFE COUNTY
CLERK**

**For The Year Ended
December 31, 2002**



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AUDITOR OF PUBLIC ACCOUNTS
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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Donald M. Butler, Metcalfe County Judge/Executive
Honorable Carol England, Metcalfe County Clerk
Members of the Metcalfe County Fiscal Court

The enclosed report prepared by Kapp & Company, PLLC, Certified Public Accountants, presents the statement of receipts, disbursements, and excess fees of the County Clerk of Metcalfe County, Kentucky, for the year ended December 31, 2002.

We engaged Kapp & Company, PLLC, to perform the financial audit of this statement. We worked closely with the firm during our report review process; Kapp & Company, PLLC, evaluated the Metcalfe County Clerk's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE METCALFE COUNTY CLERK

**For The Year Ended
December 31, 2002**

Kapp & Company, PLLC, has completed the Metcalfe County Clerk's audit for the year ended December 31, 2002. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

Excess fees decreased by \$6,464 from the prior calendar year, resulting in excess fees of \$16,468 as of December 31, 2002. Receipts increased by \$37,289 from the prior year and disbursements increased by \$40,633.

Debt Obligations:

Lease agreements as of December 31, 2002, had total principal and interest outstanding of \$41,334.

Deposits:

The Clerk's deposits were insured and collateralized by bank securities or bonds.

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Kapp & Company, PLLC
Certified Public Accountants &
Business Advisors

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Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Metcalfe County, Kentucky, for the year ended December 31, 2002. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 2002, in conformity with the modified cash basis of accounting.

To the People of Kentucky
Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
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In accordance with Government Auditing Standards, we have also issued our report dated August 29, 2003, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in dark ink that reads "Kapp & Company, PLLC". The script is cursive and fluid, with the letters "K", "C", and "P" being particularly prominent.

Kapp & Company, PLLC

Audit fieldwork completed -
August 29, 2003

METCALFE COUNTY
CAROL ENGLAND, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

For The Year Ended December 31, 2002

Receipts

State Grants		\$	11,788
State Fees For Services			4,589
Fiscal Court			12,146
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	227,304	
Usage Tax		462,127	
Tangible Personal Property Tax		468,145	
Licenses-			
Fish and Game		462	
Marriage		2,174	
Occupational		339	
Deed Transfer Tax		18,542	
Delinquent Tax		29,458	1,208,551
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts	\$	12,171	
Real Estate Mortgages		13,977	
Chattel Mortgages and Financing Statements		34,251	
All Other Recordings		11,668	
Charges for Other Services-			
Candidate Filing Fees		1,370	
Copywork		13,226	86,663
Other:			
Miscellaneous	\$	6,555	
Returned Check Fees		214	
Returned Checks Redeposited		6,798	13,567
Interest Earned			2,944
Total Receipts		\$	1,340,248

The accompanying notes are an integral part of this financial statement.

METCALFE COUNTY
 CAROL ENGLAND, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 For The Year Ended December 31, 2002
 (Continued)

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$	172,533	
Usage Tax		448,175	
Tangible Personal Property Tax		179,516	

Licenses, Taxes, and Fees-

Fish and Game		461	
Delinquent Tax		8,383	
Legal Process Tax		9,418	
Candidate Filing Fees		660	
		<u>660</u>	\$ 819,146

Payments to Fiscal Court:

Tangible Personal Property Tax	\$	28,661	
Delinquent Tax		2,503	
Deed Transfer Tax		17,614	
Occupational Licenses		466	
		<u>466</u>	49,244

Payments to Other Districts:

Tangible Personal Property Tax	\$	241,243	
Delinquent Tax		14,883	
		<u>14,883</u>	256,126

Payments to Sheriff 454

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Salaries	\$	74,511	
Overtime		233	

Employee Benefits-

Employer's Share Social Security		9,752	
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Contracted Services-

Advertising		65	
Printing and Binding		1,297	
Microfilming		12,026	

The accompanying notes are an integral part of this financial statement.

METCALFE COUNTY
 CAROL ENGLAND, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 For The Year Ended December 31, 2002
 (Continued)

Disbursements (Continued)

Operating Disbursements and Capital Outlay (Continued):

Materials and Supplies-			
Office Supplies	\$	3,312	
Equipment Lease		15,669	
Other Charges-			
Conventions and Travel		1,166	
Dues		470	
Postage		2,735	
Refunds		1,800	
Returned Checks		6,914	
Miscellaneous		4,485	
			\$ 134,435
Total Allowable Disbursements			\$ 1,259,405
Net Receipts			\$ 80,843
Less: Statutory Maximum			57,811
Excess Fees			\$ 23,032
Less: Expense Allowance	\$	3,600	
Training Incentive Benefit		2,965	6,565
Excess Fees Due County for 2002			\$ 16,467
Amount Transferred to 2003 Account to be Used for Capital Expenditures as Approved by Fiscal Court			7,869
Payment to County Treasurer - July 8, 2003			8,598
Balance Due at Completion of Audit			\$ 0

The accompanying notes are an integral part of this financial statement.

METCALFE COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2002

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2002.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.41 percent for the first six months and 6.34 percent for the last six months of the year.

METCALFE COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2002
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 64.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2002, the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County Clerk's agent in the County Clerk's name, or provided surety bond which named the County Clerk as beneficiary/obligee on the bond.

Note 4. Grants

The County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$11,788. Funds totaling \$10,295 were expended during calendar year 2002. The unexpended grant balance of \$1,731 includes \$238 of interest gained on the account. In January 2003 \$1,493 was returned to the Kentucky Department of Libraries and Archives and the interest received of \$238 was turned over to the Metcalfe County Fiscal Court in January 2003.

The County Clerk received a local records printing and binding grant from Kentucky Department for Libraries and Archives in the amount of \$2,200. No funds were expended during 2002. The unexpended grant balance is \$2,200 as of December 31, 2002.

Note 5. Lease Agreements

METCALFE COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2002
 (Continued)

Note 5. Lease Agreement

A. Copier

The office of the Metcalfe County Clerk entered into a lease agreement with Melton First United Leasing for a copier. The agreement requires a monthly payment of \$181 for 36 months to be completed on December 20, 2003. The balance of the agreement is \$1,994 as of December 31, 2002.

<u>Calendar Year Ending</u>	<u>Minimum Lease Payments</u>
December 31, 2003	\$ 1,994
Total	\$ 1,994

B. Computer Hardware

The office of the Metcalfe County Clerk entered into a lease agreement on December 6, 2000, with Software Management, Inc. for a main computer station and two (2) terminals. The agreement requires a monthly payment of \$724 for 60 months to be completed on December 6, 2005. The balance of the agreement is \$ 25,340 as of December 31, 2002.

<u>Calendar Year Ending</u>	<u>Minimum Lease Payments</u>
December 31, 2003	\$ 8,688
December 31, 2004	8,688
December 31, 2005	7,964
Total	\$ 25,340

C. Computer Software

The office of the Metcalfe County Clerk entered into a lease agreement on December 6, 2000, with Software Management, Inc. for software (CCLIX Full Service-3 terminal access and delinquent tax). The agreement requires a monthly payment of \$400 for 60 months and a \$25 annual service fee. The lease will be completed on December 6, 2005. The balance of the agreement is \$14,000 as of December 31, 2002.

<u>Calendar Year Ending</u>	<u>Minimum Lease Payments</u>
December 31, 2003	\$ 4,800
December 31, 2004	4,800
December 31, 2005	4,400
Total	\$ 14,000

METCALFE COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2002
(Continued)

Note 7. Excess Fees

In the 2002 calendar year, the County Clerk closed the 2002 account and removed \$16,467, which was reported as excess fees on the Clerk's quarterly report. The Clerk gained permission from the Metcalfe County Fiscal Court to transfer the entire \$16,467 into the 2003 account and to use it for capital expenditures. The Clerk spent \$7,869 on capital expenditures and returned the remainder of \$8,598 to the fiscal court as 2002 excess fees. In the statement of receipts, disbursements and excess fees, the \$7,869 was classified as "Amount Transferred to 2003 Account to be used for Capital Expenditures, as Allowed by Fiscal Court," and the \$8,598 was classified as "Payment to County Treasurer-July 8, 2003."

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



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Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of receipts, disbursements, and excess fees of the Metcalfe County Clerk for the year ended December 31, 2002, and have issued our report thereon dated August 29, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Metcalfe County Clerk's financial statement for the year ended December 31, 2002, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Barren County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in cursive script that reads "Kapp & Company, PLLC".

Kapp & Company, PLLC

Audit fieldwork completed -
August 29, 2003

